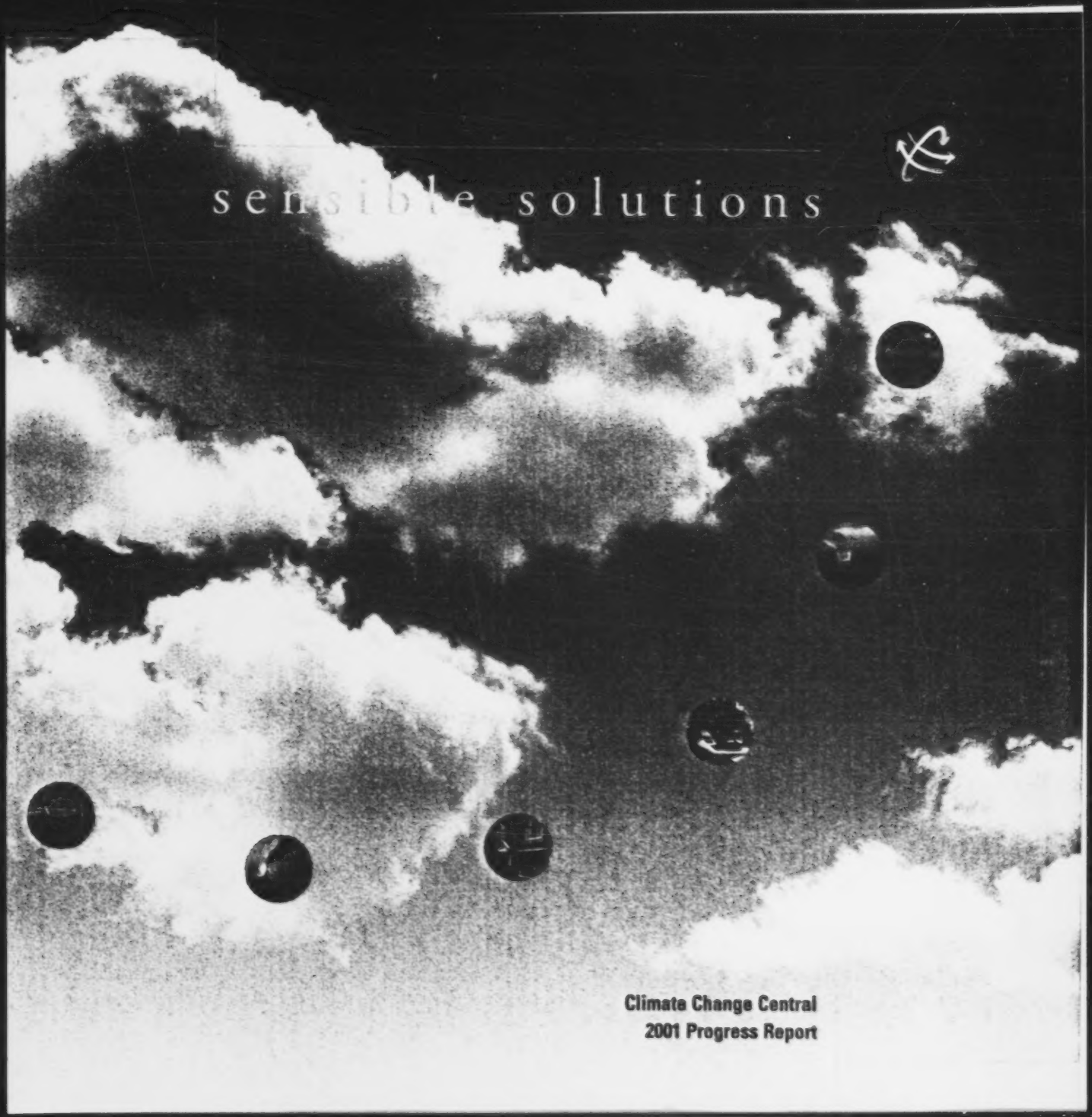


**Climate Change Central**
**2001 Progress Report**

# profile

## PROFILE

Climate Change Central is a unique public-private partnership that promotes the development of innovative responses to global climate change and its impacts. Climate Change Central builds links and relationships between businesses, governments and other Alberta stakeholders interested in reducing greenhouse gases.


1 Chief Executive Officer's Message

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# profile

## CLIMATE CHANGE CENTRAL

**PROFILE**

Climate Change Central is a unique public-private partnership that promotes the development of innovative responses to global climate change and its impacts. Climate Change Central builds links and relationships between businesses, governments and other Alberta stakeholders interested in reducing greenhouse gases.


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# CHIEF EXECUTIVE OFFICER'S MESSAGE

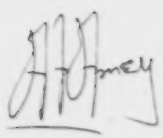
*Welcome to the second annual synopsis of Climate Change Central's activities.*

At Climate Change Central, we work with Albertans who are making a difference on climate change every day. Our achievements in 2001 reflect a collective effort to proactively reduce greenhouse gas emissions in Alberta.

Kyoto or not, we will likely live in a carbon-constrained world in the future. In 2001, for example, the Alberta Energy and Utilities Board produced new guidelines for electricity generation facilities. These guidelines will require Alberta companies to minimize greenhouse gas emissions at new facilities by choosing the best available technologies and by offsetting emissions in some cases.

A clear policy framework, coupled with tangible actions that reduce greenhouse gas emissions, is needed. While individual private and public organizations have a role to play, climate change is too far-reaching an environmental issue to be addressed by one organization or sector. All Albertans need to work together to achieve efficient and cost-effective solutions.

This report provides a review of Climate Change Central's 2001 activities. During the year, we worked with more than 50 partners on 12 projects, ranging from alternative fuels to fossil fuels and covering industries from transportation to agriculture. One notable project was eMissions Banff, in which some 60 commercial passenger vans and shuttle buses were converted to natural gas, reducing emissions by more than 25 per cent each year and cutting fuel costs by up to 50 per cent. Another significant project was the Alberta Greenhouse Gas Emissions Trading Simulation, the first of its kind in Western Canada, which helped government, industry and environmental groups better understand how emissions trading works.



Allan Amey
President & CEO

As we develop new plans and projects, I look forward to working and communicating with Albertans on developing sensible solutions to climate change.

## MESSAGE FROM THE CO-CHAIRS OF CLIMATE CHANGE CENTRAL'S BOARD OF DIRECTORS

Alberta has shown tremendous leadership in Canada both in understanding what needs to be done to address climate change and in taking concrete action to reduce greenhouse gas emissions. Climate Change Central is a unique public-private partnership in Canada created to address climate change issues. Its multi-stakeholder board is committed to reducing greenhouse gas emissions through innovative approaches which engage all Albertans.

Climate Change Central is an integral part of Alberta's overall climate change strategy. That strategy involves a number of key elements that Climate Change Central, along with many other organizations and companies, is diligently moving forward.

One element is developing the technologies to increase energy efficiencies and decrease greenhouse gas emission intensity in Alberta. Climate Change Central has co-sponsored a number of emissions-reduction projects that lead by example.

A second element is to improve the understanding by all Albertans of the climate change issue and the need to take action to reduce greenhouse gas emissions in their daily activities. Climate Change Central has been actively involved in a number of public education and outreach activities with Albertans through schools and community associations to increase the capacity to address this important issue.

A third element is to develop clear policy recommendations targeted at accelerating emission reductions and analyzing the economic impacts of available options. Climate Change Central has worked with a broad base of Albertans to determine the most economical ways to reduce emissions and project the potential cost impacts within different sectors of Alberta's economy.

Alberta is clearly leading the way in Canada in taking action on climate change. Climate Change Central will continue to be a key partner with Albertans in pioneering new and unique greenhouse gas reduction approaches.

Climate Change Central

Lorne Taylor

Lorne Taylor, Ph.D.
Co-Chair
Minister of Environment

Climate Change Central

Charles Fischer.
Co-Chair

## CLIMATE CHANGE CENTRAL
## INTRODUCTION

*Why is climate change an important issue?*

In Alberta and around the world, there is growing awareness of global climate change. This issue represents a significant risk to Alberta's resource-based economy and our future quality of life. At the same time, it offers an important opportunity for Albertans to turn a major environmental challenge to their advantage.

*Why was Climate Change Central established?*

In 1999, a Round Table meeting sponsored by the Alberta Government brought together leaders from Alberta's private and public sectors to discuss the climate change challenge. These leaders urged collaboration among Albertans and recommended creating a public-private partnership to provide a renewed focus on action. Climate Change Central was established to meet this need.

*What is Climate Change Central's vision?*

Our vision is that Alberta, as an acknowledged world leader, achieves zero net greenhouse gas emissions while enhancing the province's economic performance, quality of life and ability to adapt to climate change effects.

*How does Climate Change Central support climate change action?*

Climate Change Central provides analysis, engagement and policy advice; promotes innovation through the exchange of knowledge, ideas and best practices; provides outreach services; and focuses attention on Alberta's successes in addressing the climate change challenge.

*How is Climate Change Central funded?*

Climate Change Central is a not-for-profit corporation supported by public and private funding. In 2001, government and industry organizations contributed an estimated $6.7 million in co-funding and in-kind services. This funding supports Climate Change Central's supported projects and daily operations.

ALTERNATIVE ENERGY
GREENHOUSE GAS MANAGEMENT
BUILDINGS AND COMMUNITIES
PUBLIC EDUCATION AND OUTREACH

## 2001 PROJECTS COMPLETED

Climate Change Central and its multiple stakeholder partners contributed an estimated $4.7 million dollars to co-funding projects completed in 2001. Approximately 19 per cent of this funding was contributed by governments, 66 per cent by industry and other organizations, and the remaining 15 per cent ($730,154) was contributed by Climate Change Central. The $730,154 includes $481,141 for contracts and $249,013 for sponsorships.

GREENHOUSE GAS MANAGEMENT

*Costs and Capture of $CO_2$ in Western Canada's Geologic Formation*

Climate Change Central was one of 18 partners supporting a study by the Canadian Energy Research Institute to identify the most cost-effective means of capturing and storing carbon dioxide emissions that would otherwise go into the atmosphere. The project provided reliable cost estimates for key capture and storage opportunities in Western Canada and estimated volumes of $CO_2$ that can be sequestered.

*Alberta Greenhouse Gas Emissions Trading Simulation*

Climate Change Central hosted Western Canada's first greenhouse gas emissions trading simulation, bringing together participants from industry, government and environmental groups to experience a simulated greenhouse gas-trading environment. Participants gained an understanding of the impacts alternative regulatory policies can have on the cost of compliance for Alberta firms operating in North American and global markets. Sponsors included Alberta Environment, ATCO Power, EPCOR, Shell Canada, Suncor Energy, TransCanada PipeLines, University of Calgary Learning Commons and Western Economic Diversification.

PUBLIC EDUCATION AND OUTREACH

### *SEEDS Foundation*

Climate Change Central sponsored *Creating a Climate of Change*, a comprehensive package of instructional resources for Canadian high school students, including a 54-minute video, teacher's resource guide, transparencies and CD-ROM. Developed by Calgary-based Society, Environment and Energy Development (SEEDS) Foundation, the program encourages critical thinking and development of strategies that respond to the prospect of global warming and climate change.

### *Evergreen Theatre*

Climate Change Central and EPCOR co-sponsored a play, *Full of Hot Air – The Climate and Weather Show*, produced by Evergreen Theatre. The show helped students better understand the science behind the weather and climate change and encouraged them to make responsible and informed choices. The play was launched in October 2001 during Energy Awareness Week.

## 2001 PROJECTS IN PROGRESS

ALTERNATIVE ENERGY

*Mariah Energy Combined Heat and Power Greenhouse*

Climate Change Central is one of six partners supporting Mariah Energy's installation of four microturbines in a two-acre greenhouse in Medicine Hat. The microturbines will generate electricity and supply heat to the greenhouse, with surplus electricity sold to the provincial grid. In addition, the carbon dioxide produced by the microturbines will be pumped into the greenhouse to help grow tomatoes, green peppers and cucumbers.

BUILDINGS AND COMMUNITIES

*Grande Prairie Combined Heat and Power*

Climate Change Central and the City of Grande Prairie are evaluating the potential of recovering waste heat from a co-generation plant at a Canfor sawmill and using the excess steam energy to heat nearby city buildings. Recovering waste heat from the sawmill's power generation would cut fuel consumption for the heating of nearby buildings and thus reduce greenhouse gas emissions. As well, the waste wood residue used by the co-generation facility is considered a renewable green power source, since the trees planted to replace the cut wood absorb carbon dioxide. The project will determine the type and cost of systems needed to efficiently transfer excess heat, in the form of hot water, to nearby buildings.

LAND USE MANAGEMENT

*Removal and Reduction of Agricultural Greenhouse Gases*

Climate Change Central is one of 13 partners funding a project that brings together key Alberta agricultural and emission reduction trading players. They are developing a working plan for measuring and verifying net emissions that result from changes in land management practices by Alberta farmers. The project is also looking at developing a method of greenhouse gas trading between Alberta farmers and potential buyers of carbon reductions.

*Forest Carbon Sequestration Workshops in Canada*

Climate Change Central helped fund Pollution Probe's series of five workshops (including one in Alberta) on forest carbon management in Canada. The workshops looked at such things as potential sites for carbon sequestration in Canada's forests, research priorities, and barriers and incentives to sequestration.

PUBLIC EDUCATION AND OUTREACH

*Public Education and Outreach Hub*

The Public Education and Outreach Hub is an 18-month pilot project that brings together partners from government, business, environmental organizations and communities in Alberta to increase climate change awareness and encourage reduction of greenhouse gas emissions. The Hub, managed by Climate Change Central, acts as an information clearinghouse to organizations that offer climate change education and outreach in Alberta. It also serves as a catalyst for new programs and co-ordinates professional development for climate change educators.

*Alberta Science Foundation*

The Alberta Science Foundation developed and ran a three-month public awareness campaign to help people understand the science behind climate change. The campaign ran from January 15 to March 22, 2002 and culminated in a public forum at the Calgary Science Centre.

TRANSPORTATION

*eMissions Banff*

Climate Change Central, in conjunction with ATCO Gas and Natural Resources Canada, is supporting eMissions Banff, a program that has converted more than 60 commercial vehicles – mainly large passenger vans and shuttle buses – to natural gas, reducing emissions by more than 25 per cent each year and cutting fuel costs by up to 50 per cent. ATCO Gas built a new fueling facility in Banff to complement one near the Calgary International Airport.

*Vehicle Scrappage Project*

Climate Change Central is supporting Clean Air Strategic Alliance's (CASA) pilot project to improve air quality by removing 600 older, high-polluting passenger vehicles from Calgary's streets. Participants will receive either 12 free monthly transit passes or a $500 credit for a newer car if they voluntarily retire their pre-1988 cars for scrap.

## 2001 PROJECTS INITIATED

ALTERNATIVE ENERGY

*New Energy Resource Alliance Workshop*

Climate Change Central and the Alberta Research Council are sponsoring the New Energy Resource Alliance Workshop. This workshop will build awareness among policy makers, utility companies and investors of the opportunities of distributed generation. The goal is to promote collaborative research, development and demonstration of distributed generation applications.

*SAIT Microturbine Combined Heat and Power Project*

Climate Change Central is a non-financial contributing partner in the installation of two gas-fired micro-turbines in an Olympic-size swimming pool at the SAIT campus. Mariah Energy's Clean Heat and Power (CHP) systems will provide base heating plus generate electricity to help power the facility.

BUILDINGS AND COMMUNITIES

*Hinton Solar Pool Project*

Climate Change Central is a funding partner in a project to install a solar heating system in the Hinton Municipal Swimming Pool. A project case study aims to reduce the barriers to solar energy and to encourage its use by other municipalities.

*City of Calgary Community Energy Efficiency Project*

The City of Calgary is creating an energy management toolkit for community organizations. The kit provides tools, training and support to help organizations make informed decisions about energy management in their facilities, thus reducing their energy costs and greenhouse gas emissions.

GREENHOUSE GAS MANAGEMENT

*Acid Gas Re-injection*

The project will estimate the potential greenhouse gas reduction opportunity for Alberta if acid gases are permanently stored in geological formations. Acid gases like carbon dioxide and sulphur dioxide are produced in combination with natural gas and are usually flared. This project will investigate the opportunity to reduce or eliminate the need to flare acid gases.

*PTAC-CCC Greenhouse Gas Technology Workshop*

Petroleum Technology Alliance Canada (PTAC) and Climate Change Central hosted the first Western Canadian Climate Change and Greenhouse Gas Technology Conference in Calgary, Alberta, May 22 - 24, 2002. It focused on climate change technology solutions for mitigating greenhouse gases for the oil and gas, oil sands, coal, petrochemical and pipeline industries in Western Canada.

*Emissions Trading Mock Negotiation*

Climate Change Central hosted a greenhouse gas emissions trading simulation to give individuals, corporations, governments and special-interest groups a first-hand feel for the complexities of meeting company and national emissions reduction targets through trading.

*Hydrocarbon Technology Review*

A multi-jurisdictional review is being undertaken of clean coal technology; oil sands/heavy oil production, upgrading and refining; conventional and unconventional oil and gas production; $CO_2$ management for capture, use and storage; and hydrocarbon-to-hydrogen bridging technologies.

LAND USE MANAGEMENT

*Integrated Manure Utilization System*

Climate Change Central is a non-financial contributing partner involved in developing technologies and practices that use anaerobic digestion of manure to produce methane and pathogen-free liquid and solid manure residues. The methane will be used to produce heat and/or electricity and the manure residues applied as a crop fertilizer.

PUBLIC EDUCATION AND OUTREACH

*Domestic Emissions Trading Workshops*

Climate Change Central hosted a series of workshops explaining domestic greenhouse gas emission trading to agriculture/forestry sectors, municipalities, and environmental organizations.

# ORGANIZATION AND BOARD OF DIRECTORS

*The staff at Climate Change Central coordinates a wide range of programs and services and offers business and government expertise in climate change policy, strategic planning and project development. They report to President and CEO, Allan F. Amey.*

The organization's Board of Directors are experienced leaders including representatives from major industry sectors, non-government organizations, institutions, municipalities and the Government of Alberta. The Board provides direction to Climate Change Central's strategic plans and objectives, and includes the following members:

Board Members

**Premier Ralph Klein**
(Executive Chair)

**Lorne Taylor**
Environment Minister (Co-Chair)

**Charles Fischer**
President and CEO, Nexen Inc.
(Co-Chair)

**Elaine McCoy**
President, Macleod Institute for Environmental Analysis
(Vice Co-Chair)

**Luke Ouellette**
MLA, Innisfail-Sylvan Lake
(Vice Co-Chair)

**Bruce Beattie**
Chair, Alberta Environmentally Sustainable Agriculture Council

**Len Bolger**
Chairman,
Advatech Homes Canada Inc.

**Paul Griss**
Coordinator, New Directions Group

**Bob Hawkesworth**
Alderman, City of Calgary

**Bill Hunter**
Vice-President of Operations and General Manager, Al-Pac

**Darshan Kailly**
President and CEO,
Canadian Freightways Canada

**David Lynch**
Dean, Faculty of Engineering,
University of Alberta

**Patricia McCunn-Miller**
Managing Director,
Environment and Regulatory Affairs,
PanCanadian Petroleum

**Lewis Nakatsui**
President, Lincolnberg Homes

**David Pollock**
Executive Director, Pembina Institute

**Jim Popowich**
Executive Vice President, Fording Inc.

**Ross Risvold**
Mayor, Town of Hinton

**Allan Amey**
(President & CEO)

# AUDITORS' REPORT

*To the Board of Directors of Climate Change Central*

We have audited the statement of financial position of Climate Change Central as at December 31, 2001 and the statement of operations, and changes in cash flows and fund balances for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2001, the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2000 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 22, 2001.

*Signed* ***" BDO Dunwoody LLP "***

Chartered Accountants

*Calgary, Alberta*
*February 18, 2002*

# STATEMENT OF FINANCIAL POSITION

| December 31 | | Restricted Funds | | Total | Total |
|---|---|---|---|---|---|
| | General Fund 2001 | Operating Fund 2001 | Project Fund 2001 | 2001 | 2000 |
| **ASSETS** | | | | | |
| **Current** | | | | | |
| Bank | $ 16,239 | $ 191,701 | $ 1,409,101 | $ 1,617,041 | $ 210,195 |
| Marketable securities *(Note 3)* | - | 3,122,015 | - | 3,122,015 | 5,193,760 |
| Accounts receivable | - | 65,114 | 8,860 | 73,974 | 19,276 |
| Prepaid expenses | - | 24,870 | - | 24,870 | 30,500 |
| | 16,239 | 3,403,700 | 1,417,961 | 4,837,900 | 5,453,731 |
| **Capital assets** | - | 201,772 | - | 201,772 | 210,242 |
| | $ 16,239 | $ 3,605,472 | $ 1,417,961 | $ 5,039,672 | $ 5,663,973 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| **Liabilities** | | | | | |
| **Current** | | | | | |
| Accounts payable and accrued liabilities | $ - | $ 106,066 | $ 100,452 | $ 206,518 | $ 160,042 |
| **Fund balances** | | | | | |
| Invested in capital assets | - | 201,772 | - | 201,772 | 210,242 |
| Unrestricted fund balances | 16,239 | - | - | 16,239 | - |
| Restricted fund balances *(Note 11)* | - | 3,297,634 | 1,317,509 | 4,615,143 | 5,293,689 |
| | 16,239 | 3,499,406 | 1,317,509 | 4,833,154 | 5,503,931 |
| | $ 16,239 | $ 3,605,472 | $ 1,417,961 | $ 5,039,672 | $ 5,663,973 |

**Approved on behalf of the Board:**

***"Charles Fischer"*** Director

***"Darshan Kailly"*** Director

*The accompanying notes are an integral part of these financial statements.*

# STATEMENT OF OPERATIONS

| For the period ended December 31 | General Fund 2001 | Restricted Funds: Operating Fund 2001 | Restricted Funds: Project Fund 2001 | Total Year ended Dec. 31, 2001 | Total 9 months ended Dec. 31, 2000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Grants and ministry support | $ 73,816 | $ - | $ 1,615,500 | $ 1,689,316 | $ 6,004,045 |
| Industry contributions | 122,523 | - | - | 122,523 | 21,347 |
| Conference fees and sponsorships | - | - | 52,349 | 52,349 | - |
| Interest income | 16,239 | 182,387 | - | 198,626 | 96,748 |
| **Total revenue** | 212,578 | 182,387 | 1,667,849 | 2,062,814 | 6,122,140 |
| **Expenditures** | | | | | |
| **Contracts, wages and benefits** | | | | | |
| Wages and benefits | 196,339 | 807,037 | 1,750 | 1,005,126 | 156,859 |
| Contracts | - | 310,331 | 170,810 | 481,141 | 142,333 |
| | 196,339 | 1,117,368 | 172,560 | 1,486,267 | 299,192 |
| **Board governance** | | | | | |
| Honoraria *(Note 6)* | - | 106,187 | - | 106,187 | 127,500 |
| Meeting expenses | - | 14,533 | - | 14,533 | 5,314 |
| | - | 120,720 | - | 120,720 | 132,814 |
| **Premises operations and maintenance** | | | | | |
| Rent | - | 107,366 | - | 107,366 | 48,894 |
| Utilities | - | 3,711 | - | 3,711 | - |
| Repairs and maintenance | - | 5,869 | - | 5,869 | 945 |
| | - | 116,946 | - | 116,946 | 49,839 |

## STATEMENT OF OPERATIONS (CONT'D)

| For the period ended December 31 | Restricted Funds | | Total | Total |
|---|---|---|---|---|
| | General Fund 2001 | Operating Fund 2001 | Project Fund 2001 | 2001 | 2000 |
| **General and administration** | | | | | |
| Sponsorship | - | 102,513 | 146,500 | 249,013 | - |
| Travel expenses | - | 145,853 | 7,703 | 153,556 | 18,131 |
| Telecommunications | - | 28,472 | 9 | 28,481 | 8,679 |
| Technical support | - | 71,388 | - | 71,388 | 15,869 |
| Professional fees | - | 187,614 | 6,417 | 194,031 | 23,947 |
| Leasing - equipment | - | 74,484 | 5,041 | 79,525 | 8,042 |
| Insurance | - | 15,756 | - | 15,756 | 677 |
| Conferences and training | - | 29,599 | 11,344 | 40,943 | 11,814 |
| Licenses and permits | - | 20,980 | - | 20,980 | 102 |
| Journals, subscriptions and memberships | - | 22,837 | - | 22,837 | 1,653 |
| Office administration | - | 41,596 | 345 | 41,941 | 14,068 |
| Public education | - | 34,003 | 421 | 34,424 | 11,213 |
| Amortization | - | 56,783 | - | 56,783 | 22,169 |
| | - | 831,878 | 177,781 | 1,009,658 | 136,364 |
| **Total expenditures** | 196,339 | 2,186,912 | 350,340 | 2,733,591 | 618,209 |
| **Excess (deficiency) of revenue over expenditures** | $ 16,239 | $ 2,004,525 | $ 1,317,509 | $ (670,777) | $ 5,503,931 |

*The accompanying notes are an integral part of these financial statements.*

# STATEMENT OF CASH FLOWS

| For the period ended December 31 | Restricted Funds | | | Total Year ended | Total Period ended |
|---|---|---|---|---|---|
| | General Fund 2001 | Operating Fund 2001 | Project Fund 2001 | Dec. 31, 2001 | Dec. 31, 2000 |
| **Cash from operating activities** | | | | | |
| Excess (deficiency) of revenue over expenditures | $ 16,239 | $ (2,004,525) | $ 1,317,509 | $ (670,777) | $ 5,503,931 |
| Amortization of capital assets | - | 56,783 | - | 56,783 | 22,169 |
| Decrease (increase) in accounts receivables | - | (45,838) | (8,860) | (54,698) | (19,276) |
| Decrease (increase) in short term investments | - | 2,071,745 | - | 2,071,745 | (5,193,760) |
| Increase (decrease) in accounts payable | - | (53,976) | 100,452 | 46,476 | 160,042 |
| Decrease (increase) in prepaids | - | 5,630 | - | 5,630 | (30,500) |
| | 16,239 | 29,819 | 1,409,101 | 1,455,159 | 442,606 |
| **Investing activities** | | | | | |
| Purchase of capital assets | - | (48,313) | - | (48,313) | (232,411) |
| **Net increase (decrease) in cash** | 16,239 | (18,494) | 1,409,101 | 1,406,846 | 210,195 |
| Cash at beginning of period | - | 210,195 | - | 210,195 | - |
| **Cash at end of period** | $ 16,239 | $ 191,701 | $ 1,409,101 | $ 1,617,041 | $ 210,195 |

*The accompanying notes are an integral part of these financial statements.*

# STATEMENT OF CHANGES IN FUND BALANCES

For the period ended December 31

| | Invested in Capital Assets | Unrestricted | Restricted for Operations | Restricted for Projects | Total Year ended Dec. 31, 2001 | Total 9 months ended Dec. 31, 2000 |
|---|---|---|---|---|---|---|
| **Net Assets** | | | | | | |
| **Balance, beginning of period** | $ 210,242 | $ - | $ 5,293,689 | $ - | $ 5,503,931 | $ - |
| Excess (deficiency) of revenues over expenses | (56,783) | 16,239 | (1,947,742) | 1,317,509 | (670,777) | 5,503,931 |
| Purchase of capital assets | 48,313 | - | (48,313) | - | - | - |
| **Balance, end of period** | $ 201,772 | $ 16,239 | $ 3,297,634 | $ 1,317,509 | $ 4,833,154 | $ 5,503,931 |

*(1) Consists of amortization expense*

*(2) Consists of purchases*

*The accompanying notes are an integral part of these financial statements.*

# NOTES TO FINANCIAL STATEMENTS

## 1 PURPOSE OF THE ORGANIZATION

Climate Change Central (the "Organization") was incorporated on March 31, 2000 under Part 9 of the Companies Act, (Alberta), as a not-for-profit organization. The "Organization" is to act as a catalyst for, and a coordinator of, activities undertaken by Alberta individuals, business institutions, and governments to reduce greenhouse gas emissions and to increase Alberta's Environmental Energy Advantage. The Organization is a not-for-profit organization and under section 149(1) of the Income Tax act is exempt from the payment of income taxes.

The Organization's current operating agreement with the Alberta Provincial Government expires on March 31, 2003. The continued operations of the Organization are dependent on further funding being provided. The financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Organization not continue to operate.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Fund Accounting

The Organization follows the restricted fund method of accounting for contributions.

The general fund accounts for funds received from government and industry that are restricted for use in operations, as well as unrestricted investment income.

The project fund accounts for funds received for specific projects and related expenses.

The operating fund accounts for the organization's operations. This fund is comprised of the "Operating Fund" see Note #5.

(b) Revenue Recognition

Restricted contributions are recognized in the period in which they are received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured. Amounts pledged as future contributions are not recognized in the accounts.

(c) Amortization of Capital Assets

Purchased capital assets are recorded at cost. The Organization charges amortization on capital assets on a straight-line basis over their estimated useful lives using the following rates:

| | |
|---|---|
| Computer hardware | 3 years |
| Computer software | 3 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | 5 years |
| Office equipment | 5 years |

During the year, the Organization revised its amortization policy for leasehold improvements from 10 years to the life of the lease, on a prospective basis. This resulted in an approximate $6,400 increase in amortization in the current year.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand less cheques issued in excess of bank balances.

(e) Contributed Services

Volunteers contribute significant hours to Climate Change Central to assist the Organization in carrying out its mandate. Because of the difficulty in determining their fair value, donated volunteer services are not recognized in the financial statements.

(f) Financial Instruments

The Organization carries a number of financial instruments. Unless otherwise indicated, it is management's opinion that the Organization is not exposed to significant credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

## 3. MARKETABLE SECURITIES

Marketable securities consist of premium money market fund investments invested in BMO Mutual Funds with the Bank of Montreal.

## 4. CAPITAL ASSETS

| December 31 | 2001 | | | 2000 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Furniture and fixtures | $ 171,924 | $ 49,038 | $ 122,886 | $ 140,832 |
| Office equipment | 3,888 | 943 | 2,945 | 2,491 |
| Leasehold improvements | 76,028 | 16,056 | 59,972 | 48,448 |
| Computer hardware | 16,329 | 7,782 | 8,547 | 12,408 |
| Computer software | 12,555 | 5,133 | 7,422 | 6,063 |
| | $ 280,724 | $ 78,952 | $ 201,772 | $ 210,242 |

## NOTES TO FINANCIAL STATEMENTS

### 5. PROVINCE OF ALBERTA FUNDING AGREEMENT

Pursuant to the provisions of the Climate Change Central Operating Funding Agreement, the "Funding Agreement" dated July 13, 2000 between the Organization and Her Majesty the Queen in Right of Alberta as represented by the Minister of the Environment (the "Province"), the Province provided to the Organization the sum of $6,000,000 to establish an Operating Fund, (the "Operating Fund").

The Operating Fund may be applied to reasonable start up costs and administrative cost of the organization for the purposes of its establishment and its operations in furtherance of the objectives set forth in the Funding Agreement which are consistent with the Business Plan and Strategic Plan as may be in effect from time to time. All income earned by the investment of the Operating Fund shall form part of the Operating Fund.

Unless terminated sooner, in accordance with the Provincial Funding Agreement or by mutual agreement of the Minister and the Organization, the Funding Agreement shall end on March 31, 2003 at which time the Minister may require the Organization to pay to the Minister all or any portion of the Operating Fund that has not been expended or committed to be expended. The Organization has granted to the Government a security interest in its present and after acquired personal property.

### 6. SALARIES AND BENEFITS – DIRECTORS AND PRESIDENTS

| December 31 | | | 2000 | 2001 |
|---|---|---|---|---|
| | Salaries (a) | Benefits (b) | Total | Total |
| Co-chairs | 15,750 | 486 | 16,236 | 12,851 |
| Computer Software | 88,250 | 1,701 | 89,951 | 117,372 |
| | 104,000 | 2,187 | 106,187 | 130,223 |
| President | 202,880 | 6,780 | 209,660 | 64,560 |

(a) Salaries include base pay, bonuses, honoraria and other direct cash remuneration.

(b) Benefits include the employer's share of all employee benefits and contributions or payments made on behalf of employees including CPP contributions; employment insurance and long-term disability plans.

## NOTES TO FINANCIAL STATEMENTS

**7. OTHER MINISTRY SUPPORT**

The Province has provided seconded staff. This has been recognized in these financial statements in the amount totaling $73,816.

**8. INDUSTRY CONTRIBUTIONS**

Industry has provided seconded staff. This has been recognized in these financial statements in the amount totaling $122,523.

**9. COMMITMENTS**

The Organization has entered into operating lease agreements whose terms extend beyond the current fiscal year. The commitments are as follows:

(a) Premises

The Organization's commitment on operating leases for office premises are as follows

| | |
|---|---|
| 2002 | $66,486 |
| 2003 | 74,511 |
| 2004 | 77,934 |
| 2005 | 42,299 |
| 2006 | 14,752 |

(b) Equipment

The Organization's commitment on operating leases for computer and office equipment are as follows:

| | |
|---|---|
| 2002 | $65,623 |
| 2003 | 22,193 |
| 2004 | 2,137 |
| 2005 | 1,603 |

## NOTES TO FINANCIAL STATEMENTS

(c) Automotive

The Organization's commitment on an operating lease for a vehicle expiring May 31, 2004 is as follows:

| | |
|---|---|
| 2002 | $4,296 |
| 2003 | 4,296 |
| 2004 | 1,074 |

**10. SHARE CAPITAL**

Share Capital is not disclosed on the statement of financial position.

Authorized:

100,000 common voting shares with a nominal or par value of $1.00 each

Issued:

| | |
|---|---|
| 200 common voting shares | $ 200.00 |

**11. RESTRICTED FUND BALANCES**

As disclosed in Note 5, the Operating Fund expenditures must be consistent with the Business Plan and Strategic Plan of the organization.

The Project Fund may only be applied to advance the objectives of the Organization as set out in the Operating.

**12. CONTINGENT LIABILITY**

As discussed in Note 5, unless an extension to the Operating Agreement is received, the Organization may be required to repay to the Minister all or any portion of the Operating Fund that has not been expended or committed to be expended by March 31, 2003.

**13. COMPARATIVE FIGURES**

Certain comparative numbers have been reclassified to conform to the current year's presentation.

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